

## **GUIDELINES FOR PREPARATION OF FINANCIAL STATEMENTS AND CLASSIFICATIONS OF GRAIN DEALERS**

**NOTICE TO APPLICANTS:** The following instructions and guidelines for financial statement preparation have been developed from the requirements set forth in the Missouri Grain Warehouse Law (Chapter 411, RSMo) and the Missouri Grain Dealer Law (Sections 276.401 - 276.582, RSMo), and the rules promulgated pursuant to these laws. The instructions are very important and should be read thoroughly by the applicant and the applicant's accountant. The instructions set forth what financial statements are required with an application and who may prepare the financial statements. **FAILURE TO SUBMIT REQUIRED FINANCIAL STATEMENTS MAY RESULT IN OUR REJECTION OF THE ENTIRE APPLICATION.**

**THESE DEFINITIONS SHALL APPLY:**

(1) **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)** - the conventions, rules and procedures necessary to define accepted accounting practice, which include broad guidelines of general application as well as detailed practices and procedures generally accepted by the accounting profession, and which have substantial authoritative support from the American Institute of Certified Public Accountants;

(2) **BALANCE SHEET** - a statement of assets, liabilities and net worth at a specified date;

(3) **INCOME STATEMENT** - a statement of income, expenses and net profit for a specified period of time;

(4) **CERTIFIED PUBLIC ACCOUNTANT** - Any person licensed as such under chapter 326, RSMo.

(5) **QUALIFIED APPRAISAL** - an appraisal that is submitted in accordance with the Code of State Regulations, Title 2, Division 60, Chapters 4 and 5, relating to the acceptance of appraisal values for licensing purposes. The appraiser must use specific appraisal forms supplied by the Missouri Department of Agriculture.

1. **STATEMENTS REQUIRED:** A **BALANCE SHEET** as of the last fiscal year and an **INCOME STATEMENT** for the last fiscal year must be submitted by all applicants. The statements must be audited or reviewed by a Certified Public Accountant, and should be less than six months old. The statements must be prepared in accordance with GAAP, except as otherwise allowed or required by these instructions (see Proprietorship and #3 below). This means that all statements must be prepared on the accrual basis, unless waived by the Director of Agriculture. If a statement of retained earnings, changes in financial position or cash flow, or notes and disclosures are prepared, these items are to be submitted also. The applicant, employee of the applicant, officer, shareholder, or partner of the applicant may not prepare the financial statements.

**PROPRIETORSHIPS** - Submit a balance sheet and income statement for the proprietorship business, prepared in accordance with GAAP, and a personal balance sheet. The personal balance sheet shall include all other assets and liabilities of the proprietor and include the net equity of all business interests. Please note: personal assets must be shown at the lower of historical cost or estimated fair market value, whereas business assets must be shown at their historical cost value. Proprietors may alternatively submit a combined balance sheet showing all business and non-business assets and liabilities, using the above-mentioned valuations. If the financial statements submitted indicate joint ownership with a spouse, or if you are applying jointly, a "Joint Liability Statement" form will be sent to you for completion.

**PARTNERSHIPS** - Submit a balance sheet and an income statement for the partnership business, prepared in accordance with GAAP. Only the partnership assets and liabilities will be considered for licensing purposes. The net worth of individual partners generally will not be requested or used for licensing purposes.

**CORPORATIONS** - Submit a balance sheet and an income statement for the corporation, prepared in accordance with GAAP. If the corporation is part of a parent/subsidiary relationship, the consolidated financial statements must also be submitted. If the corporation is part of a group of related businesses that do business with each other where the same individual or partnership owns a controlling interest in all of the businesses, submit a copy of the combined financial statements for the group of related business entities. If the parent company, or consolidated financial statements are used for the licensing of a subsidiary, a parent guarantee is required.

2. **SUPPLEMENTAL STATEMENTS:** The applicant must submit copies of any financial statements submitted within the last year to the applicant's bonding company, or submitted to Commodity Credit Corporation in support of a Uniform Grain and Rice Storage Agreement, or submitted to the United States Department of Agriculture in support of a federal

warehouse license, if such financial statements are prepared as of a different date, or for a different period of time, or otherwise show different amounts than those submitted with this application.

3. **CURRENT MARKET VALUES:** If a proprietor, partnership or corporation desires to submit estimated market values for licensing purposes they may do so by submitting a qualified appraisal, as defined by these instructions. If a qualified appraisal is accepted by the Department, the financial statements submitted must be prepared in accordance with these guidelines. Any adjustments to the net worth, to reflect an appraisal will be made by our office prior to computation of licensing requirements.

**BELOW ARE THE CLASSIFICATIONS OF GRAIN DEALERS AND REQUIREMENTS (NOT ALL INCLUSIVE) FOR THE CLASSIFICATION AND THE ACTIVITIES THEY MAY CONDUCT.**

**CLASS I**

The Class I grain dealer is the ONLY class that may offer minimum price contracts or credit sales contracts, including delayed price and deferred payment contracts. This class of dealer may also be licensed as a warehouseman under the Missouri Grain Warehouse Law or the United States Warehouse Act. The Class I grain dealer is required to maintain a minimum net worth equal to the greater of \$50,000 or 2% of grain purchases. These dealers may issue delayed price, deferred payment, minimum price or other types of credit sales contracts. When an account is entered on a formal settlement sheet within thirty (30) days of delivery by the Class I dealer, payment is to be made to the seller at the earlier of the seller's demand or 180 days, unless a deferred payment contract is completed. This dealer is required to be open for business at least six hours between 8:00 a.m. and 6:00 p.m., unless notification is posted as to where sellers of grain may receive payment for their grain.

**CLASS II**

Dealers that are also licensed as a warehouseman under the Missouri Grain Warehouse Law or the United States Warehouse Act that are not a Class I dealer. These dealers are required to maintain a minimum net worth as follows: if yearly grain purchases are less than \$400,000, the greater of \$10,000 or 5% of grain purchases; if yearly grain purchases are greater than \$400,000, the greater of \$20,000 or 1% of grain purchases. These dealers may NOT issue minimum price contracts or any type of credit sales contract, including delayed price and deferred payment contracts. When an account is entered on a formal settlement sheet within thirty (30) days of delivery by the Class II dealer, payment is to be made to the seller at the earlier of the seller's demand or 180 days. This dealer is required to be open for business at least six hours between 8:00 a.m. and 6:00 p.m., unless notification is posted as to where sellers of grain may receive payment for their grain.

**CLASS III**

Class III dealers are dealers that use physical facilities in which bulk grain may be held in the operation of their dealer business and NOT licensed as a warehouseman. The minimum net worth requirements are the same as for Class II dealers. Class III dealers are required to make payment to the seller within thirty (30) days of delivery, or upon demand of the seller, whichever occurs first. These dealers may NOT issue minimum price contracts or any type of credit sales contract, including delayed price and deferred payment contracts. This dealer is required to be open for business at least six hours between 8:00 a.m. and 6:00 p.m., unless notification is posted as to where sellers of grain may receive payment for their grain.

**CLASS IV**

Class IV dealers are dealers primarily engaged in the trucking or transportation business, who incidental to or as a part of their business, buys or sells grain. The minimum net worth requirements are the same as for Class II dealers. Class IV dealers are required to make payment to the seller within thirty (30) days of delivery, or upon demand of the seller, whichever occurs first. These dealers may NOT issue minimum price contracts or any type of credit sales contract, including delayed price and deferred payment contracts.

**CLASS V**

This class of dealer is one whose grain transactions are only comprised of sales of grain from their own farming operations. The minimum net worth requirements are the same as for Class II dealers. These dealers may NOT purchase grain from others.

**CLASS VI**

All dealers who are not Class I, II, III, IV or V dealers are Class VI dealers. The minimum net worth requirements are the same as for Class II dealers. Class VI dealers are required to make payment to the seller within thirty (30) days of delivery, or upon demand of the seller, whichever occurs first. These dealers may NOT issue minimum price contracts or any type of credit sales contract, including delayed price and deferred payment contracts.

**BONDING REQUIREMENTS** are the same for all classes of dealers: if yearly grain purchases are less than \$400,000 the greater of \$10,000 or 5% of grain purchases; if yearly grain purchases are greater than \$400,000, the greater of \$20,000 or 1% of grain purchases. Letters of credit or certificates of deposit may be submitted to the department in lieu of a bond for security.